SYNOPSIS

ON

A STUDY OF FACTORS INFLUENCING SWITCHING BEHAVIOUR OF FIXED DEPOSIT INVESTORS OF INDIAN BANKS

FOR THE REGISTRATION OF DOCTOR OF PHILOSOPHY (Ph.D)

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Contents **Page No.**

1. Introduction ….…….....1-5
1.1. Indian Banking Industry.....1
1.1.1.Sources of Funds for Banks.....1-3
1.1.2.Fixed Deposits.....3-4
1.2. Switching Behaviour.....4
1.3. Factors Influencing Switching Behavior in Other Sectors.....4-5
2. Literature Review.....5-12
2.1. Risk –Return Relation in the Investment Avenues.....5
2.2. Where is switching happening?.....5-6
2.2.1.Switching In Service Sector (Other Than Banking).....6-7
2.2.2.Switching In Banking Sector.....7-8
2.2.3.Switching In Investment Avenues 9-10
2.3. What variables are important while switching from one Investment Avenue to another?10-12
3. Need and Objectives.…….....12-13
3.1. Need of the study.....12-13
3.2. Objectives of the study.....13
4. Research Design and Methodology.....13-18
4.1 Hypothesis.....13-14
4.2 Nature of the study.....14
4.3 Scope of the study.....15
4.3.1 Geographical Area Coverage.....15
4.4 Sources of Data.....15
4.4.1 Primary Data Collection.....15
4.4.1.1Sampling Techniques.....15
4.4.1.2 Sample Size.....15-16
4.4.2.1 Tools of the study.....17-18
4.5 Managerial Implications of the study.....18
5. Proposed Chapterization.....19
References

SECTION I: INTRODUCTION

The financial sector has been described as a foundation for the society's infrastructure and for stimulating the growth of the economy and provides services that are vital for both companies and households. The vital roles of the financial sector are to act as intermediary for payments, reallocate consumption and funds effectively over time and to handle all risks. Main actors in the financial sector include **Banks, credit companies, trust companies, insurance companies and securities companies** (Konkurrensverket, 2009, p. 204).

1.1 INDIAN BANKING INDUSTRY

The Indian banking industry is an important tool to facilitate the speed of development of the Indian economy. The importance of the banking sector was additionally emphasized by Bryan (1990, p. 113) who explained that banks operate within the whole society, providing financial services and resources that have become the society's most significant operational tools.

1.1.1 Sources of Funds for Banks

- **Deposits**

The largest source by far of funds is deposits; money that accounts holders submits to the bank for safe-keeping and to use in future transactions, as well as modest amounts of interest. Generally referred to as "core deposits," these are typically the current and savings accounts that so many people currently have and at the same time using bank facilities worldwide.

In most cases, these deposits have very short terms. While people will typically maintain accounts for years at a time with a particular bank, the customer have the right to withdraw/to take out the full amount at any time.

- **Wholesale Deposits**

If a bank cannot attract a sufficient level of core deposits which is mandate by the RBI (Banker of the banks), in that case that bank can turn to wholesale sources of funds. Generally these wholesale funds are much like interbank CDs. There is nothing necessarily wrong with wholesale funds, but investors should consider what it says about a bank when it relies on this

funding source. Investors should also note that the higher cost of wholesale funding means that a bank either has to settle for a narrower interest functioning, and lower profits, or it will confirm higher yields from its lending (Loan) and investing, which usually means greater risk.

- **Share Equity**

While deposits are the primary source of loan-able funds for every bank, shareholder equity is an important part of a bank's capital which shows the strength of the bank and its market value. Several important regulatory ratios are based upon the amount of shareholder capital a bank has and shareholder capital is, in many cases, the only capital that only a bank knows will not disappear.

This is capital that the bank has raised by selling shares to outside investors. While banks, especially larger banks, also pay the dividends on their common shares, there is no requirement and such mandate for them to do so. Banks often issue preference shares to raise capital. As this capital is expensive, and generally issued only in times of trouble, when there is such requirement of the funds or to facilitate an acquisition, banks will usually make these shares callable. Bank owns the right to buy back the shares at a time when the capital position is stronger. Equity capital is expensive, therefore, banks generally only issue shares when they need to raise funds for an acquisition, or when they need to repair their capital position, typically after a period of elevated bad loans.

- **Debt**

  Banks will also raise capital through debt products and instruments. Banks most often use debt to smooth out the ups and downs in their funding needs. Banks generate their debt funds by **repurchase agreements or the Federal Home Loan Bank system**, to access debt funding on a short term basis and to discover the opportunity to work in the competitive market. There is frankly nothing particularly unusual about bank-issued debt, and like regular corporations, bank bonds are callable and/or convertible. Although debt is relatively common on bank balance sheets, it is not a critical source of capital for most banks. Although debt/equity ratios are typically over 100% in the

banking sector, this is largely a function of the relatively low level of equity at most banks. For the banks debt is usually a much smaller percentage of total deposits or loans at most banks.

Fixed Deposits is a major source of funding for the banks.

1.1.2 FIXED DEPOSITS

A fixed deposit (FD) is a financial instrument issued by banks which provides investors with a higher rate of interest than a regular savings account, until the given maturity date. It may or may not require the creation of a separate account usually it is associated with the saving account of FD Holder. Basically it is known as a term deposit.

When it comes to savings, most conservative investors instantly think of Bank Fixed Deposits (FDs). Traditionally, Bank FDs have been the most preferred mode of investing one's hard earned money. Statistics from RBI website show that Term Deposits with Scheduled Commercial Banks increased three times in the last 6 years. Perhaps features like a pre-determined fixed rate of interest, convenience, safety of investment & Bank assurance to name a few make this an ideal choice.

Changing Scenario of Investment in Fixed Deposits in India

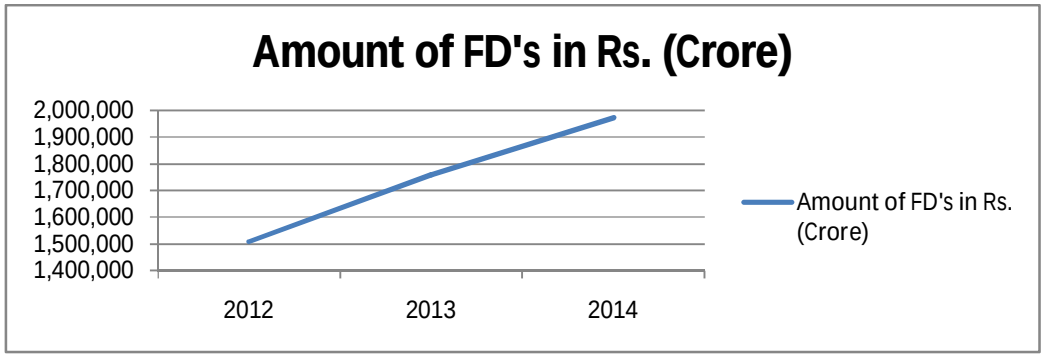

Figure 1: Changing Scenario of Fixed Deposits of Public Sector Banks.

(Source: Report of RBI 2013-2014)

- Some reasons for high preference of Bank Fixed Deposits over other venues of investment:
    - Fixed rate of return with the benefit of compounding interest.
    - Safety of money invested - Government guarantee up to Rs 1 Lac.
    - Flexibility in tenures, ranging from 7 days to 10 years.
    - Can be used to avail Loans.
    - Convenience of opening a Bank FD with same saving account.
    - Tax benefits for FDs having lock-in period of 5years.
    - Higher interest rate (0.50%) available to senior citizens.
    - Availability for premature withdrawal in case of emergency requirement of funds.

This study focuses on the investments in Fixed Deposits of Indian banking industry.

1.2 SWITCHING BEHAVIOUR

Switching is defined as "Make a shift in or exchange of, and a change" by word web dictionary while behavior is defined as "The action or reaction of something". (Pirzada, Nawaz, et.al, 2014).Switching between profitable alternatives is a common phenomenon in many aspects of life, ranging from decisions about which route to take when commuting to the workplace to investment in financial markets. The investors may switch from one Fixed Deposits to another in same category funds or switch from one category to another. It depends upon their mindset; current market conditions and the performance of the funds which depends upon the market. These switching behaviour among the investors were usually seen in the market when the investors were frequently calling money from their Fixed Deposits and invested in some other Fixed Deposits for e.g. Switching from Bank FD's to Corporate FD's. It is very essential to explore and to know the reasons for switching among the investors for some policy presumptions.

1.3 **FACTORS INFLUENCING SWITCHING BEHAVIOR IN OTHER SECTORS**

The factors affecting switching were drawn from various studies (Bal and Mishra, 1990; Barua and Srinivasan, 1982; Agarwal, 1992; and Subash and Mukesh, 1992, Vyas, 2012)

Some of the factors identified for switching behaviour of Fixed Deposit's Investors are **Interest Rate, Location, Reputation/ Image, Service Quality, Bank Performance - Profitability and Liquidity, Switching Cost, Age, Income levels, etc.**

SECTION 2: LITERATURE REVIEW

The Review of Literature has been done in the following method:

2.1 Risk –Return relation in the Investment Avenues.

a) Factors Influencing Investment Decision of Generations in India: An Econometric Study

Gaurav Kabra, Prashant Kumar Mishra and Manoj Kumar Dash (2010) aimed to know the key factors that influences investment behavior and ways these factors impact investment risk tolerance and decision making process among men and women and among different age groups. The study included Regression method and concluded that investors' age and gender predominantly decides the risk taking capacity of investors.

b) A study on influence of demographic factors related to risk tolerance of investors.

Bhuvan Lamba and Saloni Raheja (2014) stated that risk and return are two sides of investment coin when the risk is high the return will also be high and the different investors take different type of risk. They focused on the relation between the risk and the demographic profile of the investors while making an investment. From the study, the researchers found that there is a direct relation between the demographic factors of investors and risk tolerance.

2.2 Where is switching happening?

Under this, the areas have been described where switching behaviour had been observed like customers of various sectors (other than banking) switched from the service providers due to inconvenience, service problem, high price, etc.

The bank customers switched the banks due to Reputation, Word of Mouth, Customer Satisfaction, etc.

The investors also used to switch the avenues from one to another due to the various factors that has been mentioned below:

2.2.1 SWITCHING IN SERVICE SECTOR (OTHER THAN BANKING)

a) A Study on Consumer Switching Behaviour in Cellular Service Provider: A Study with reference to Chennai.

M.Sathish, K.Santhosh Kumar, K.J.Naveen, V.Jeevanantham (2011) determined the factors that influence the consumers in switching the service provider and to delve into finding out the likeliness of switching the service provider by using the descriptive research design. It was found that there is a relation between switching the service provider and the factors (customer service, service problem, usage cost, etc.).

b) The Effects of Customer Dissatisfaction on Switching Behavior in the Service Sector

Yoon C. Cho, Juyeon Song (2012) explored how customers were willing to switch from offline to online services by examining i) the factors of dissatisfaction in the offline service environment; ii) how overall dissatisfaction affects regret and complaining behavior; and iii) how the level of regret and complaining behavior affects switching behavior. The researchers applied various statistical analyses, and identified managerial and theoretical implications and offered suggestions for the management of e-business customer relationships.

c) Customer switching behavior in service industries: An exploratory study

Keaveney, Susan M (1995) reports that customer switching behavior damages market share and profitability of service firms; the study was conducted among more than 500 service customers. The research identified more than 800 critical behaviors of service firms that caused customers to switch services. The author then discussed implications for further model development and offered recommendations for managers of service firms.

d) Service quality and customer switching behavior in China's mobile phone service sector

Dapeng Liang, ZhenzhongMa ,Liyun Qi (2012) found that service quality and customer switching behavior were among the most important factors that affect service companies' market share and profitability. The study surveyed 400 customers to explore the perceived importance of various aspects of service quality and customer switching behavior in China's mobile phone service sector. The results revealed that some specific characteristics of the Chinese mobile phone service market and the perceived importance of different aspects of service quality that are important in global service marketing. Core service failure is the most important factor that causes Chinese mobile phone service customers to switch service providers.

e) Switching benefits and costs in competitive health insurance markets: A conceptual framework and empirical evidence from the Netherlands.

Daniëlle M.I.D. Duijmelinck, Ilaria Mosca, Wynand P.M.M. van de Ven (2014) stated that consumers will switch insurer if their perceived switching benefits outweigh their perceived switching costs. They developed a conceptual framework with potential switching benefits and costs in competitive health insurance markets and used a questionnaire among Dutch consumers (1091 respondents) to empirically examine the relevance of the different switching benefits and costs in consumers' decision to (not) switch insurer. Nearly half of the non-switchers and particularly unhealthy consumers mentioned one of the switching costs as their main reason for not switching. Because unhealthy consumers feel not free to easily switch insurer, insurers have reduced incentives to invest in high-quality care for them.

2.2.2 SWITCHING IN BANKING SECTOR

a) Customer Switching in the Asian banking market

Philip Gerrard and J. Barton Cunningham (2004) developed a model to identify the types of incidents which cause consumers to switch between banks. The conclusion was that bank

switching is strongly influenced by three types of incident: service failures, pricing and inconvenience, with pricing being more influential. Seventy-five percent of bank switching is caused by more than one incident, and about 7 percent of respondents told that they had spoken to bank staff in the period before exiting.

b) Helping bank customers switch: A Case Study

Claire Matthews and David Murray (2006) stated that there was a relatively low rate of customers switching banks due to the cost associated. The result concluded that there was no real demand from customers for the type of service offered, and that the time and effort involved on the part of the financial institution were greater than expected, making it undesirable to continue.

c) Customer switching behavior in the New Zealand banking industry

Michael D. Clemes, Christopher Gan , Li Yan Zheng (2007) examined the factors that contributed to bank switching in New Zealand from the customer's perspective, the data was analyzed using Logistic regression. The results concluded that customer commitment, service quality, reputation, customer satisfaction, young-age, and low educational level are the most likely factors that contribute to customers' switching banks.

d) Modeling the Antecedents of Customer Switching Behaviour in Nigerian Banking Industry.

Kabiru Maitama Kura, et al. (2012) described that there is a significant positive relationship between: assurance and word of mouth communication; empathy and word of mouth communication utilized a Structural Equation Modeling (SEM). The study also found a significant negative relationship between word of mouth communication and customer switching.

2.2.3 **SWITCHING IN INVESTMENT AVENUES**

a) Switching Behavior and Problems Encountered by the Investors in the Mutual Funds Market

Dr. Preeti Sharma (2014) stated that the investors may switch from one Mutual Fund to another in same family funds or switch from one family to another depending upon their mindset, current market conditions and the performance of the funds. The author explored Indian investor's switching behaviour and problem encountered into while investing into the mutual funds.

b) Mapping Mutual Fund Investor Characteristics and Modeling Switching Behavior

Mary Jane Lenard, Syed H. Akhter and Pervaiz Alard (2003) investigated investor attitudes toward mutual fund by developing a model and the results indicated that regardless of whether the investors invest in non employer plans or in both employer and non employer plans, they consider their investment risk, fund performance, investment mix, and the capital base of the fund before switching funds.

c) On the Style Switching Behavior of Mutual Fund Managers

Bart Frijns, Aaron Gilbert and Remo C.J Zwinkels (2012) developed an empirically testable model that was closely related to theoretical model for style switching behavior of Barberis and Shleifer (2003). The study found that funds that engage more aggressively in style switching tend to be younger and have higher total expense ratios.

d) Impact of information cost and switching of trading strategies in an artificial stock marketYi-Fang Liu, Wei Zhanga, Chao Xua, JørgenVitting Andersen, Hai-ChuanXu (2014)examined the switching of trading strategies and its effect on the market volatility in a continuous double auction market. The researchers found that there exists a positive relationship between the market volatility and the percentage of switchers. They concluded that the switchers were a destabilizing factor in the market.Found that

there exists a positive relationship between the market volatility and the percentage of switchers. The study concluded that the switchers were a destabilizing factor in the market.

2.3 What variables are important while switching from one Investment Avenue to another?

The following table explains the reasons and the variables due to which the Investors switched from one avenue to another.

Variables	Description	Authors
INTEREST RATE	A determinant of bank choice is the competitive interest rates. While differences in interest rates, either savings or borrowing, are likely to be minimal between competing banks	• Laroche and Taylor, 1988 • Gerrard and Cunningham, 2004
LOCATION	Silently due to judgmental issues such as pricing problems and inconvenience of location, interest, time issues, paper work are the five major categories of problems, classified by the researchers.	• Keaveney's ,1995 • Levesque & McDougall, 1996 • Peppard, 2000 Kisser, 2002
ADVERTISEMENTS	Advertising is important to all the banks in this highly competitive market and it seems to be the most popular way of marketing. Advertising is defined as promoting the products or services of a brand or company for the purpose of letting the consumers know the existence of it. Attractions such as free gifts or lucky draw may help reduce the switching behavior.	• Gerrard& Cunningham, 2004 • Clemes et al., 2007 • Cengizet et al.,2007
REPUTATION	Researchers stated that price, **reputation,** service quality, effective advertising, **involuntary switching,** distance, and switching costs impact customers' bank switching behavior.	• Shapiro, 1983 • Barich&Kotler , 1991 • Wang et al., 2003
SERVICE QUALITY	According to researchers there are three antecedents to customer satisfaction: Service quality, product quality and price range. They identified ten items of service quality applicable to different service contexts. And some emphasizes five of these items: □ Reliability: the ability to perform the promised service dependably and accurately. □ Responsiveness: the willingness to help customers. □ Assurance: the ability to inspire trust and confidence. □ Empathy: the ability to treat customers as	• Zeithaml, 2009Gronroos , 1988 • Parasuraman et al. (1985, p. 47) • Levesque and McDougall 1996 • Parasuraman and Zeithaml, 2006 • Al-Rousan et

	individuals. □ Tangibles: the physical appearances of the services, e.g. the appearance of facilities, personnel and equipment	al., 2010
RECOMMENDATION OF OTHERS	They explored that service quality is the foundation of customer satisfaction and is linked to switching behavior besides other behavioral outcomes as complaint and recommendation to others. For example, their research suggested that tangible elements of service quality are more closely related to positive word of mouth; while ''timeliness'' aspects of service quality are more closely related to satisfaction and switching behavior.	• Yavas et al. (2004) • Ta and Har , 2000
BANK PERFORMANCE	Researchers examined the service quality and bank performance, deregulation increased the branch network of banks to attract more and more customers that resulted into more profits with increased risks due to changing demographics. It is our mental state if any bank is running good then we will Invest in that only because of security of funds.	• Tvorik and McGivern, 1997 • Weiss and Hartle, 1998 • Chapman et al. , 1997 • Dick, 2003
SWITCHING COST	In the banking context, researchers interpret switching costs as the range of costs that bank customers incur if they wish to transfer their banking relationship, in part way or in full, from one bank to the other bank.	• Jones et al. 2002 • Kiser , 2002 • Matthews & Murray, 2007 • Matthews., 2009
BANK EMPLOYEES	Researchers investigated the impact of relational benefits on customer satisfaction in retail banking based on a theoretical framework regarding the relationship between bank employees and bank customer, an empirical study using a sample of 204 bank customers was conducted, and the theoretical model was tested. Confirmatory factor analysis was used to test the relational benefits and customer satisfaction. The results showed that trust and confidence in good service rendered by a given bank was the key to a good long-term relationship with the customers and stopping them to switch.	• Parrish et al. , 1996 • Ndubisi and Wah, 2005 • Molina, Consuegra and Esteban, 2007
AGE	They explored based on the results of the marginal effect, low education and young-aged group rank as the fifth and sixth most important factors influencing the switching behavior. Empirical analysis identified that the following factors: customer commitment, service quality, reputation, customer satisfaction, young-aged group, and low-education have the highest probabilities associated with switching the banks.	• Kotler, 1982 • Colgate and Hedge, 2001

INCOME LEVELS	The authors stated that high-income groups are more likely to switch banks. When a consumer changes from one bank to another bank, it can be caused by single or multiple events. In one more research the sample was drawn from bank customers in Vellore City**.** The data was collected from a convenience sample of individuals, irrespective of their banking purpose, gender, occupation or income, There is a positive relationship between high income and customers switching banks. The white-collar group tends to switch banks because they earn high incomes and have a higher educational background	• Clemes,2010 • R. Dhakshayani Kumar, 2014 • Li, 2008 • China Daily, 2007 • Duthie, 2005

Table No.: 1 Variables Affecting Switching Behaviour.

SECTION 3: NEED AND OBJECTIVES

3.1 NEED OF THE STUDY

Investor's switching behavior has been an area of interest for portfolio managers, investors as well as academic researchers. History reveals that idiocies in investment behavior have been the reason behind bull and bear market. Very few researchers have tried to find the presence of Switching Behavior in Fixed Deposits in Indian market. Therefore the present study focuses on examining the switching of Investor's Behavior in context to Indian Market.

This study will be helpful for servicing sector specifically banking organizations. The understanding of customers' switching behavior is vital to for bank companies in order to gain understanding of consumer behavior and thus be able to attract new customers from competitors. The banks would be able to determine the factors which influence the Fixed Deposit Investors to switch and the banks would be able to turn down this behaviour of investors. It is very important that the profit and interest rates must be settled as attractively so that it can cope with the competitor's strategies but distinctively and distinguishably in the market. Because when customer start feeling and assessing the information of the other service providing firms then it's a sign for the organization to check its products and packages. Customers' switching behavior has been investigated in the service sector; however, there are few empirical studies on developing countries that provide conclusive evidence on why

customers switch providers. The total fixed deposits with banks in India amount to a whooping 35, 68,435crore as per RBI data. It contributes to the economic growth of the country at a higher level so this area needs to be explored.

Through a pilot survey it has been found that customers use to switch from the banks due to the causes like Interest rate, performance of the banks, etc. the bank employees mentioned that there are some other factors also which give a cause to the Fixed deposit holders to switch. So to explore those factors, the study would be done. The study would be carried out in the Agra District. It would cover 392 investors. The period of study will be two years. The study will cover the Fixed Deposit Holders of the Public Sector Banks only.

3.2 OBJECTIVES OF THE STUDY

The objectives of the research are:

- To identify the risk - return characteristics of fixed deposits based on systematic and unsystematic risk factors as an investment avenue for individual investors.
- To study the factors influencing switching behavior of Fixed Deposit Investors.
- To identify measures which have the potential to increase the value for Fixed Deposit Investors.
- To recommend a model of switching behaviour in Fixed Deposit's Investments.

SECTION 4: RESEARCH DESIGN AND METHODOLOGY

4.1 Hypothesis

Hypothesis Development

Investments are made in a dynamic economic environment, where volatility and uncertainty greatly determine the expected returns. Miliken (1987) notes that perceived environmental uncertainty exist when it is difficult to understand environmental trends or when it is difficult to predict whether a particular event will occur. Switching between Fixed Deposits in an uncertain

and unpredictable environment, therefore, comes with a cost as well as the expectation of achieving the newly prioritized goals. The cost of switching fixed deposits to investors is both financial and psychological. Investors have to make the tradeoffs within bounded rationality and in an asymmetric environment. The researcher presents the alternate hypotheses dealing with the reasons for switching investments from Fixed Deposits.

Existing research and input from various studies forms the basis for developing these hypotheses. As the objective is to identify the risk-return characteristics of fixed deposits as an investment avenue for the investors and it has been observed that Fixed Deposit investors are risk aversive as Fixed Deposits provide moderate results with low risk. So the accuracy of the above written statement would be checked using the following hypotheses.

1. H_0 : A major proportion of Fixed Deposit investors are not risk aversive.

   H_1 : A major proportion of Fixed Deposit investors are risk aversive.

As the objective is to study the factors influencing switching behaviour of Fixed Deposit Investors and the factors can be categorized into Personal Data characteristics and Decision variables. So, in order to know about the factors, the following hypotheses would be tested:

2. H_0 : The decision of switching is not dependent to personal data characteristics.

   H_1 : The decision of switching is dependent to personal data characteristics.

4.2 Nature of the Study

Descriptive study as the existing factors would be considered in the proposed study to analyze the switching behaviour of Fixed Deposit Investors and the researcher has no control over the variables.

This particular study would help to understand the present scenario and future opportunities of Fixed Deposits for Investors and also helps to identify the particular factors for switching.

4.3 Scope of the study:

The proposed study would focus on the switching behaviour of fixed deposit's investors which would be helpful for the banking organizations. The study will not cover other investment avenues. The study would be carried out in the Agra District and it would cover 392 investors. The period of study would be two years. The study will cover the Fixed Deposit holders of the public sector banks only.

4.3.1 Geographical Area Coverage

This study will be conducted in the Agra District only.

4.4 Sources of Data: In this research study, both the primary and secondary data will be used to get adequate information for the achievement of the research objectives.

4.4.1 Primary data collection

Primary information will be collected by the administration of **Structured Questionnaires** to find out switching attitude of investors towards fixed deposits. It will be so designed to collect all required information from investors of Fixed Deposits based on their knowledge, information source and investment decision factors related to their selection of a particular scheme.

4.4.1.1 Sampling Technique: Judgmental sampling technique**.** The respondents would be the Fixed Deposit holders.

4.4.1.2 SAMPLE SIZE

Based on calculation of sample size (refer Appendix), the sample size without finite population correction factor is computed to be 392.

The proposed study has infinite population because it includes several investors holding several Fixed Deposits schemes. So, finite correction factor is not applied for calculating the sample size as the sample size is less than 10% of the total population. For the present study 392 Sample sizes of investors is determined.

The study will include the public banks and in the Agra District, there are 21 public banks with 404 branches and sample size of 392 is proportionally distributed among 404 branches.

S. No.	Bank Name	No. of Branches	Sample Size(Respondents)
1	Allahabad Bank	17	16
2	Andhra Bank	03	03
3	Bank of Baroda	21	20
4	Bank of India	22	21
5	Bank of Maharashtra	02	02
6	Canara Bank	71	70
7	Central Bank of India	22	22
8	Corporation Bank	05	05
9	Dena Bank	03	03
10	IDBI Bank Ltd	06	06
11	Indian Bank	02	02
12	Indian Overseas Bank	24	23
13	Oriental Bank of Commerce	18	17
14	Punjab and Sind Bank	10	10
15	Punjab National Bank	41	40
16	State Bank of India	80	78
17	Syndicate Bank	18	17
18	UCO Bank	10	09
19	Union Bank of India	20	19
20	United Bank of India	05	05
21	Vijaya Bank	04	04
Total		**404**	**392**

Table No. 2: The distribution of the sample size

The Questionnaire will include the demographic profile of the Investors. The population for the sample will be those people who have the Fixed Deposits with the banks. The data will be collected by asking people before taking their responses, do they have fixed deposit. If they fulfill the condition then they can fill the questionnaire otherwise another individual would be targeted.

4.4.2 Secondary data collection

The secondary data, on the other hand, are those which have already been collected by someone else and which have already been passed through the statistical process. The secondary data will be collected from **related research works, published books, journals, and reports of Reserve Bank of India (RBI)** and other authorized sources of data of two years. The two years would begin right after the synopsis gets approved.

4.4.2.1 Tools of Data Analysis:

The researcher will use Paired Comparison Matrix, Principal Component Analysis, Structural Equation Modeling and Content Analysis using Semantic Differential Profile techniques.

- To accomplish the objective – To identify the risk-return characteristics of Fixed Deposits as an investment avenue for Individual Investors **Paired Comparison Matrix** will be used by the researcher. The comparison would be done among different investment avenues like Mutual Funds, Equity, Debt's and Fixed Deposits.
- To achieve the objective – To study the factors influencing switching behavior of fixed deposits investors, the tools like **Principal Component Analysis and Chi Square test** will be used by the researcher:

Principal Component Analysis as a data reduction technique: Principal component analysis is appropriate when we have obtained measures on a number of observed variables and wish to develop a smaller number of artificial variables (called principal components) that will account for most of the variance in the observed variables. Principal component analysis is a variable reduction procedure. It is useful when we have obtained data on a number of variables (possibly a large number of variables), and believe that there is some redundancy in those variables. Principal component analysis is being used to sort out the variables. The responses collected would be analyzed using this technique and the relevancy of each variable will be checked. Which various decision variables affect switching will be studied using Principal Component Analysis.

Chi-Square Test: To what extent data characteristics (personal characteristics) affect switching will be studied using chi-square test. Accordingly the hypothesis has been framed and testing would be done using the tool.

- To satisfy the objective- To identify measures which have the potential to increase the value for Fixed Deposit Investors: The research will be carried out by **Content analysis** using Semantic Differential profile and the qualitative data will be collected using the Questionnaire.

- To achieve the objective- To recommend a model of switching behaviour in Fixed Deposit's Investments, the researcher will study switching behavior using **Structural Equation modeling techniques** using AMOS software.

  Structural equation modeling is a general term that has been used to describe a large number of statistical models used to evaluate the validity of substantive theories with empirical data. SEM takes a confirmatory (hypothesis testing) approach to the multivariate analysis of a structural theory, one that stipulates causal relations among multiple variables. The goal is to determine whether a hypothesized theoretical model is consistent with the data collected to reflect this theory. (Fall, 2007)

4.5 Managerial Implications of the Study

Investor's switching behavior has been an area of interest for portfolio managers, investors as well as academic researchers. History shows that investors switch from one Investment Avenue to another due to certain factors. The proposed study would emphasize on the Fixed Deposit investors and the various factors influencing them to switch from it. This study will be helpful for servicing sector specifically banking organizations. The understanding of customers' switching behavior is vital to for bank companies in order to gain understanding of consumer behavior and thus be able to attract new customers from competitors. By knowing the reasons of switching, the banks can bring down the number of switchers i.e. Fixed Deposit investors, hence banks

would be able to maintain a balance in the efficiency and increase the profitability that would lead to the economic growth of the country.

SECTION 5: PROPOSED CHAPTERIZATION

The structure of the Thesis of the Proposed Study will be as follows:

- **CHAPTER 1: INTRODUCTION**
- **CHAPTER 2: REVIEW OF LITERATURE**
- **CHAPTER 3:RESEARCH METHODOLOGY**
- **CHAPTER 4: DATA ANALYSIS AND FINDINGS**
- **CHAPTER 5 : SUMMARY AND CONCLUSION**

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APPENDIX

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Appendix

Calculation of Sample Size

For calculating sample size of finite population, first of all, sample size, is to be calculated without considering finite population correction factor. To calculate the sample size without considering finite population correction factor (Malhotra, 2011), the following formula is used:

$$n_0 = \frac{\sigma^2 \times Z^2}{D^2}$$

Here, n_0 = Sample size without considering finite population correction factor

σ = Standard Deviation

Z = Standard normal distribution for 95% confidence level equivalent to 1.96 and,

D = Degree of precision desired

In order to obtain a representative and realistic sample size, the results of sample size from 3 scenarios are compared:

Scenario 1- Estimating a low standard deviation and low degree of precision.

Scenario 2- Estimating a moderate standard deviation and moderate degree of precision.

Scenario 3- Estimating a high standard deviation and high degree of precision.

The results are summarized in Table:

Table: Comparative Analysis Taking Different Values of σ and D.

	SD (σ)	**Z**	**D**	**n_0**
Scenario 1	0.07	1.96	0.5	0.05
Scenario 2	0.67	1.96	0.05	689
Scenario 3	0.9	1.96	0.08	486.20
Total				1176.065
Average				392

Taking an average of the all the three scenarios, considered taking different values of σ and D, sample size without considering finite population correction factor is computed to be 392.

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